Dear Friend

Welcome to our November tax newsletter.

This month we have kept our newsletter short as we wait, with anticipation, to the Chancellor's Autumn Budget on 22 November. We will send out our update shortly after the Budget.

We hope you enjoy reading this month's newsletter.

Best wishes
Godley Tax Team

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ATED – HAVE YOU GOT YOUR RESIDENTIAL PROPERTY REVALUED AS AT 1 APRIL 2017?

Any corporate entity (or non-natural person) falls into the Annual Tax on Enveloped Dwellings (ATED) regime if it owns a UK residential dwelling valued over £500,000. When HMRC first introduced this, back in April 2013, owners of ATED properties had to obtain a valuation for the property as at 1 April 2012, with revaluations taking place every five years. Therefore, all UK residential property held by a non-natural person would need to be valued for ATED as at 1 April 2017. If their values are likely to be more than £500,000 as at 1 April 2017 we would suggest a professional valuation is undertaken. The value as at 1 April 2017 will be used for the next five years (from 2018/19 onwards) to determine which ATED band the UK residential property will fall in to and the respective ATED charge.

To claim relief from the ATED liability an ATED Return needs to be filed.

On another note, beware if you are within the ATED regime and thinking of selling your property, there are various HMRC tax return filings that need considered (such an amended ATED return, Non-Resident Capital Gains Tax (NRCGT) and an ATED Capital Gain Tax (CGT)). Penalties can apply for late submission and late payment of capital gains tax; therefore, it is important to consider all HMRC filing requirements associated with the holding and the disposal of UK residential properties held in corporate entities.

If you have any questions about the revaluation requirement, or the wider provisions of ATED, ATED CGT and NRCGT returns then please get in touch with your tax team contact.

INCREASED CONTRIBUTIONS FOR WORKPLACE PENSIONS IN 2018

Auto-enrolment of staff in workplace pension schemes now applies to even the smallest of employers, although there are exclusions. The current minimum contributions are 1% from the employer and 1% from the employee but these limits are scheduled to increase to 2% and 3% respectively from 6 April 2018.

The contributions will then increase to 3% from the employer and 5% from the employee from 6 April 2019. Employees will have a further opportunity to opt out of auto-enrolment.

HMRC TACKLES EMPLOYERS WHO USED EBTs SCHEMES

With tax planning schemes as with many things in life, what looks too good to be true generally turns out to be so. This seems to be true for tax avoidance schemes using Employee Benefit Trusts (EBTs) as during the summer HMRC won a landmark case at the Supreme Court against Glasgow Rangers Football Club concerning the payment of players and other employees via EBTs. Rangers had argued that the payments were not liable to PAYE and national insurance. The court has agreed with HMRC that the payments should have been treated as remuneration.

The government have been trying to block such schemes for many years with anti-avoidance legislation but various alternative planning strategies have been devised to sidestep the anti-avoidance rules.

As a consequence of the Rangers Supreme Court decision, HMRC are now pursuing employers who have used similar payment arrangements, including Employer Funded Retirement Benefit Schemes (EFURBS), and in appropriate cases will be issuing follower notices and accelerated payment notices to collect the PAYE, NICs, interest and penalties.

FURNISHED HOLIDAY LETTING BUSINESS IS NOT A BUSINESS FOR IHT RELIEF

A furnished holiday letting business is treated as a trade for most tax purposes. For example, capital allowances are available on furniture, and CGT entrepreneurs' relief is available on disposal of the business.

However, a recent tax case has determined that a holiday letting business in Cornwall did not qualify for inheritance tax business property relief.

Despite the provision of a range of services to customers, the judge agreed with HMRC that the business was wholly or mainly that of making or holding of investments and as such ineligible for any relief from inheritance tax.

Note that the restricted deduction for interest that started to apply to buy-to-let businesses from 6 April 2017 does not apply to furnished holiday lets.

Please note to qualify as a furnished holiday letting there are special rules. In particular the property must be available for letting for 210 days a year, and actually let for 105 days.

MANY WILL NOT GET A SELF ASSESSMENT TAX RETURN NEXT YEAR

The government are gradually phasing out the self-assessment tax return and replacing it with an individual tax account pre-populated with data supplied by employers, pension companies and State Pension figures from DWP.

With effect from April 2017, HMRC will have the power to assess income tax or CGT liabilities using information they already hold. This new system will be called "Simple Assessment" and will initially apply to two groups:

- Firstly, new state pensioners with income more than the personal tax allowance in the tax year 2016/17.
- Secondly, PAYE customers, who have underpaid tax and who cannot have that tax collected through their tax code.

Taxpayers will have 60 days in which to challenge incorrect information in a simple assessment. We have concerns about the accuracy of this data, so please contact us if you drop out of self-assessment and would like us to check the HMRC figures in future.

TAX DIARY OF MAIN EVENTS FOR NOVEMBER/DECEMBER 2017

- 1 November – Corporation tax for year to 31 January 2017, unless quarterly instalments apply.
- 19 November – PAYE & NIC deductions, and CIS return and tax, for month to 5 November 2017 (due 22 November if you pay electronically.
- 1 December - Corporation tax for year to 28/02/17, unless quarterly instalments apply.
- 19 December - PAYE & NIC deductions, and CIS return and tax, for month to 5/12/17 (due 22/12 if you pay electronically).
- 30 December - Deadline for filing 2016/17 tax return online in order to request that HMRC collect outstanding tax via the 2017/18 PAYE code.

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